



To: Honorable City Council

From: Mike Bodker, Mayor
Warren Hutmacher, City Manager

Date: August 24, 2015

Subject: Fiscal Year 2016 Budget Message

We are pleased to submit the following Fiscal Year (FY) 2016 Budget to the City Council for review and consideration. The FY 2016 Budget represents a concerted effort to effectively address the city's core infrastructure, transportation, public safety, and other service needs. The city's budget development process was driven by a strategic and prioritized approach to better serve the citizens of Johns Creek. As part of our ongoing efforts to ensure the most effective use of tax dollars, the city has included multiple new process changes incorporated into the budgeting process, including:

- Use of a ten-year forecast model
- A new "scorecard" prioritization system for capital requests that rate and prioritize departmental projects
- Commencement of additional disciplined accrual fund budgeting for future needs

This process enables the city to view expenditures through the lens of long-term obligations to obtain a more precise picture of budget impacts in the future.

The FY 2016 Budget forecasts conservative revenue growth while recognizing that the economy is showing signs of recovery and returning closer to the levels not seen since the city's incorporation in 2006. The FY 2016 Budget maintains the City's original 4.614 millage rate and does not necessitate an increase.

The core direction of the FY 2016 Budget seeks to cast a critical eye on the operations of the city and reduce costs wherever possible. As a result, the submitted budget presents a reassessed evaluation in city government operational expenses that has resulted in base operational cost reductions that have enabled the city to reinvest a greater amount into capital projects and infrastructure investments – all of which further results in better service to the citizens.

OVERVIEW OF FY 2015 ACCOMPLISHMENTS

Johns Creek unofficially dubbed 2015 the "Year of Public Works" and the accomplishments of the past twelve months validate the moniker. Throughout 2015, the city continued to invest heavily in infrastructure projects with important road widening, intersection improvements, road repaving and

sidewalk enhancements. Additionally, the city has continued to successfully leverage state and federal funds to provide a substantially greater impact to Johns Creek's transportation network. The city continued to enhance its outstanding public safety services to ensure that Johns Creek remains as one of the safest cities in Georgia.

Finally, the city launched "The District" planning process – a vital planning effort to ensure Technology Park and Johns Creek remain vital and vibrant for future economic development needs and provide an identifiable central business district and central gathering place for residents and visitors alike.

A more detailed snapshot of the city's FY 2015 efforts to enhance the outstanding quality of life for its citizens includes:

Transportation and Infrastructure

- Commenced neighborhood resurfacing projects with 34 subdivisions and an aggregate 34.22 linear miles of streets paved.
- Completed the four lane section of Old Alabama from Nesbit Ferry Road to Jones Bridge Road. This project also included improvements at Haynes Bridge and Jones Bridge Road. Combined, the improvements have made significant improvements in travel time along Old Alabama.
- Expanded the Traffic Control Center (TCC) to include upgraded video management software allowing for additional operators to manage the traffic system at the same time and respond more quickly with necessary adjustments affecting traffic.
- Incorporated uninterruptible power supplies on the city's traffic signals allowing the signals to operate for additional time in case of power failure, as well as conditioning the power to protect the sensitive electronics in the signal cabinet.
- Implemented adaptive signal control as an upgrade to the traffic responsive system on Medlock Bridge Road, allowing the traffic signals to adjust their timing based on real-time traffic conditions.
- Entered into a cost-free partnership with Waze to further augment the technological toolkit for traffic relief.

Recreation & Parks

- Initiated Recreation & Parks Strategic Plan to set a prioritized list of recommended improvements for the growth of our recreation and parks system over the course of the next 10 years. The plan will address land acquisition for new parks, improvements to existing parks and operational strategies.
- Acquired land on Morton Road to be developed as a neighborhood-serving pocket park in an area currently underserved by parks.
- Replaced playground equipment at Shakerag Park, including a shade structure providing shade on the main areas of the equipment during the hot summer months.

Public Safety Departments

- Fire Department's efforts lowered the city's ISO rating from a 4/10 to a 2, resulting in approximately \$6 million of savings for the citizens of Johns Creek.

- Launched a new river rescue boat, allowing greater safety and rescue capability resulting in 16 river rescues.
- Negotiated Public Safety Radio Tower site outside of the city limits of Johns Creek that will provide first responders with improved capability to communicate with each other. The tower will cover the current public safety communications gap that exists in Johns Creek northeast, primarily in the Shakerag area, providing improved protection for citizens, public safety personnel, and school children.
- Expanded the Johns Creek Police Department (JCPD) Social Media Program to include the development of JCPD4Me App, allowing greater communication between the police and community.
- Realigned officers to create Community Response Team, (CRT) to focus on current concerns/trends in the City

Municipal Court

- Judge Don Schaefer and the Municipal Court received a Special Recognition Award from the Georgia Council of Municipal Judges for his work on the City's Solicitor. Teen. Officer. Parent. (STOP) program – a teen driver intervention program.

Community Planning and Economic Development Efforts

- Implemented new massage ordinance designed to ensure proper licensing and operations, resulting in the closure of nine establishments
- Initiated Strategic Economic Development Plan to shape and guide future policy direction of economic development and foster a successful business climate within the city.
- Initiated "The District" master planning process to update Technology Park master plan to transform a suburban office park into a walkable central business district and vibrant town center.

Communications and Community Relations

- Initiated a website update to keep pace with the public's desire for direct communications with City Hall and related municipal services. Update will allow easier access to information regarding upcoming events, traffic improvement and road repaving projects, public notices, zoning cases, purchasing and bids, and other highly requested city services. The new design, which is based on current industry best practices in online communications, is expected for launch in December 2015.

Information Technology

- Launched the national award winning JC Now App, which allows mobile notifications of emergency, traffic conditions, and other information.
- In an effort to increase transparency, implemented Granicus video streaming system, which allows real-time and archived viewing of public meetings.
- Launched an IT strategic study plan to fully assess the city's technology needs and priorities.

OVERALL ECONOMIC CONDITION OF THE CITY

The City of Johns Creek continues to recover from the recession and the tax digest has finally returned to the valuations not seen since 2008. Prudent management of expenditures and strategic decision-making has enabled the city to operate under the umbrella of declining revenues over the past five years. As the digest increases, it is vital that the city continue to operate with fiscal prudence and keep expenditures prioritized. Underscoring the recovering economy, building permit revenues have increased dramatically along with the city's primary funding sources of property taxes and Local Option Sales Tax.

Johns Creek's mixed-service model, with both outsourced and in-house personnel, continues to operate with a high degree of efficacy and efficiency. A combined emphasis on cross-training and a high level of service has allowed the city to provide effective services while maintaining current staffing levels.

BUDGET BRIEF

The Johns Creek FY 2016 Budget emphasizes continued efforts to lessen traffic congestion and increase public safety and quality of life issues in the city. The FY 2016 Budget for all appropriated funds results is approximately \$95 million in aggregate revenues and General Fund revenues of \$53,453,958 (prior to reserve contribution) which represents approximately \$3 million of additional revenue from the original FY 2015 General Fund revenue projections. The submitted proposal offers a balanced budget exclusive of the utilization of reserve funds, which can then be better utilized towards capital program enhancements.

Seeking to leverage multiple funding sources and drawing from multi-jurisdictional transportation plans, over \$3.3 million in infrastructure investment spending is designed to directly improve the city's transportation and infrastructure issues with \$1.89 million dedicated directly to traffic congestion relief. Coupled with these improvements is the proposed funding of the North Fulton Comprehensive Plan Update that will further identify critical regional transportation issues. Recognizing the critical importance of providing traffic congestion relief is reflected in the proposal to reallocate \$5,000,000 from reserves into further capital traffic, infrastructure, and community priority projects.

Johns Creek's focus on maintaining a safe environment and its status as the safest big city in Georgia is reflected in the proposed addition of four new police officers, three new firefighters, and an additional fire plan reviewer/inspector.

Building on the planning efforts in The District, the city is initiating a major update of the Comprehensive Plan to fully incorporate a city-wide planning vision, and bring the 2030 Comprehensive Plan into full alignment with the city's current strategic direction. Similarly, revisions to the Zoning Ordinance are scheduled to further innovate the zoning code to help enhance a business-friendly environment while protecting the established residential areas.

PROCESS ENHANCEMENTS FOR 2016

In reviewing the departmental budget requests for 2016, a bottom-up examination of operational needs was conducted to more precisely determine true needs versus a more conservative funding approach that was utilized in the past. Increased scrutiny was placed on departmental requests, resulting in numerous line item reductions, including the removal of all of the unallocated contingency line items,

resulting in a budget more directly reflective of the actual cost of services. Although municipalities are required to adopt annual budgets, it is recognized that expenditures, needs, and projects extend across multiple years. Taking a long-term view of the city's expenditures, a ten-year financial model has been created that forecasts anticipated future obligations and financial positioning. Utilizing the ten-year model as a guide, the FY 2016 Budget begins the inclusion of annual contributions to two specified funds: (1) Infrastructure Maintenance, and (2) Asset Replacement - in preparation of future funding obligations. Several capital items, such as police and fire vehicles, operate on finite life cycles with known replacement costs. Rather than viewing these items as stand-alone annual expenditures, the city is proposing the creation of separate funds that would be dedicated towards these mandatory uses and would demand a disciplined and consistent level of contribution to known obligations.

Additionally, all capital projects or program enhancements submitted for FY 2016 have been designated as Infrastructure Maintenance, Asset Replacement, Capital Improvement, Infrastructure Investment or Operations & Maintenance. Respective definitions for each are as follows:

- **Infrastructure Maintenance:** Mandatory maintenance beyond ordinary upkeep of existing infrastructure such as roads, bridges and tunnels, stormwater facilities, and parks. The neighborhood paving program falls under this category and \$3.6 million is proposed as the annual contribution to this fund.
- **Asset Replacement:** Mandatory replacement of existing public safety and public works vehicles. A total of \$1,691,410 is proposed as the annual contribution to this fund.
- **Capital Improvement:** New capital expenditures such as park land, new structures or new vehicles that expand the current inventory of city-owned items. The replacement of an existing fire engine would qualify as an asset replacement while a new fire engine would qualify as a capital improvement.
- **Infrastructure Investment:** New infrastructure expenditures that expand the existing inventory. A new roadway or intersection improvement or the construction of new trails in a park would qualify as an infrastructure investment.
- **Operations & Maintenance:** Program enhancements to the daily operations of the city government. Examples of this include new budgeting software, public safety radio upgrades, or personnel.

This segregation of proposed expenditures enables the city to strategically prioritize the budget based on the current year while maintaining a critical eye towards future year needs.

In addition to fund designation of capital and program enhancement items, the city has undertaken a new scoring process to determine prioritization of departmental requests. Rather than submitting requests directly into the budget, departments have submitted scorecards for each individual project. These scorecards were then evaluated by the city management staff and Finance Director and given a score of 0, 1 or 2 on fourteen different criteria based on a prioritization matrix. The five scores were then averaged and used as the basis to create a prioritized listing of program enhancement requests.

This new methodology of budget submittal requests is designed to place additional filters on departmental requests and creates an internal vetting process prior to submission of the budget proposal.

2016 GENERAL FUND BUDGET SUMMARY

The FY 2016 General Fund Budget contains a forecasted \$53,453,958 of revenues largely funded by property tax (\$16,250,000) and Local Option Sales Tax (\$19,500,000). An additional \$5,000,000 infusion from reserves will be dedicated towards capital priorities.

Revenues for the General Fund are shown below:

| ANTICIPATED REVENUES | FY 2016 BUDGET |
|--|---------------------|
| Real and Personal Property Tax | \$16,910,000 |
| Motor Vehicle Tax | \$500,000 |
| Motor Vehicle Tavg | \$1,500,000 |
| Recording Intangible Tax | \$300,000 |
| Real Estate Transfer Tax | \$95,000 |
| Franchise Fees | \$4,566,834 |
| Local Option Sales Tax | \$19,500,000 |
| Alcoholic Beverage Tax | \$800,000 |
| Business & Occupation Tax | \$1,896,825 |
| Insurance Premium Tax | \$4,100,000 |
| Financial Institutions | \$117,500 |
| Alcoholic Beverage Licenses | \$407,500 |
| Planning, Zoning & Development Fees | \$115,100 |
| Building & Trades Permits and Inspection Fees | \$980,500 |
| Intergovernmental Revenue | \$0 |
| Recreation Rental Fees | \$37,150 |
| Recreation Program Fees | \$105,000 |
| Other Charges for Services | \$80,050 |
| Municipal Court | \$1,250,000 |
| Interest Earnings | \$60,000 |
| Other Revenues | \$10,000 |
| Donations | \$0 |
| Hotel/Motel Tax | \$122,500 |
| GENERAL FUND ANTICIPATED REVENUES | \$53,453,958 |

As a result of careful examination of operating line items, a total of \$3,374,900 of General Fund revenue was freed to transfer to Capital Projects and reinvest into operational program enhancements. Operating expenditures for the FY 2016 General Fund are proposed at \$50,070,058, which includes the obligated accrual contributions of \$1.7 million dedicated towards the Asset Replacement Fund and \$3.6 million dedicated to the Infrastructure Maintenance Fund. The General Fund includes a 3.3% merit raise for personnel and 3.5% for department heads and ties the cost of living adjustment (COLA) to the Urban CPI Index, resulting in a 0.1% COLA increase. Compared to the FY 2015 Budget, this approach represents a 1.4% decrease from the flat 1.5% previously utilized. A total of eight new public safety positions are recommended for funding (four police positions and four fire positions) and the city strategically elected to bring four members of the Information Technology Service staff in-house, resulting in a cost savings from the previous contract.

An analysis was conducted of call center volumes and service delivery methodologies and a determination was made that current in-house capabilities would be able to provide a similar level of service while realizing substantial savings in eliminating the call center following a three-month phase-out period.

Our strategic direction is constantly seeking to shrink operational costs of the city and find efficiencies wherever possible. By trimming the operations budget, the city is able to dedicate greater resources towards service enhancements and capital investments. A comparison of FY 2016 operational expenditures to the same service levels in FY 2015 shows a surgical reduction of \$1,595,922 in like-for-like services.

| Category | Fiscal Year 2015 | Fiscal Year 2016 | Commentary |
|---|------------------|------------------|---|
| Personnel & Operating Expenses | \$43,879,971 | \$42,284,049 | |
| Contingency | \$650,000 | \$675,000 | |
| 2016 One-Time Expenses | | \$580,210 | Election, Public Safety Radios, ADA Compliance for Permit Counters, Additional Fire Equipment, Court Document Scanning Assistance |
| 2016 Service Increases | | \$779,539 | 4 Police Officers, 1 Fire Plan Reviewer, 3 Firefighters, 1 PT Recreation Leader, Additional Council Training |

General Fund Expenditures by Department are shown below:

| Department | Total Expenditures |
|--|---------------------|
| Administrative Services | \$282,220 |
| City Clerk | \$597,560 |
| City Council | \$316,705 |
| City Manager | \$1,317,570 |
| Communications | \$756,195 |
| Community Development | \$2,206,640 |
| Court | \$808,380 |
| Information Technology | \$2,213,085 |
| Facilities | \$1,910,355 |
| Finance | \$1,199,276 |
| Fire | \$11,261,474 |
| Human Resources | \$812,000 |
| Legal | \$425,000 |
| Police | \$10,104,688 |
| Public Works | \$7,151,000 |
| Recreation and Parks | \$2,281,650 |
| Contingency | \$675,000 |
| Contribution to Infrastructure Maintenance Fund | \$3,600,000 |
| Contribution to Asset (Vehicle) Replacement Fund | \$1,691,410 |
| Transfer to E-911 Fund | \$468,850 |
| Enhancements Funded | \$3,374,900 |
| Total Proposed Expenditures | \$53,453,958 |

CAPITAL INFRASTRUCTURE AND ENHANCEMENTS

As a result of the disciplined examination of operating expenditures, a \$3,374,900 contribution is proposed from the General Fund budget and another \$34,415,873 in state and federal funding is sought to augment the overall funding capacity of these projects.

USE OF RESERVES

In addition to the contribution from the General Fund, a proposed \$5,000,000 contribution from reserves is designated for capital projects. A very clear distinction in the use of reserves was made to ensure that such funds were exclusively used to advance the timing of capital enhancement projects as opposed to additional funding for government operations or balance a deficit spending budget.

CHALLENGES

The key challenges revolve around prioritizing spending and ensuring services are delivered effectively and efficiently. The use of ten-year forecasting and scorecards for capital projects in the FY 2016 Budget helps the city maintain this strategic direction; however, further refinement and improvements will always be sought. Key challenges faced by Johns Creek, which are not all-encompassing, include:

- **Address Local and Regional Transportation Issues:** Johns Creek's incorporation began with an infrastructure deficit; especially with respect to road resurfacing issues. Additionally, Johns Creek's geographic position with major arterials traversing adjacent counties and five other municipalities creates a larger volume of traffic from outside its borders that directly impacts the city. The importance of regional planning and cooperation in addressing these issues is critical in achieving successful traffic mitigation.
- **Maintain and Improve Public Safety Efforts:** Johns Creek has built upper echelon public safety departments; however, continual prioritization of strategic assets and long-term viability rather than one-time efforts is required to maintain and improve on this distinction. Focus on innovative approaches to fire safety and policing functions are required to gain efficiencies while improving effectiveness of services.
- **Maximization of Limited Land Resources:** The increasing scarcity of available land in Johns Creek drives further importance on ensuring that remaining parcels are utilized to their best effect for park land consideration, economic development efforts, and community desires. The geographically bounded nature of Johns Creek's position relative to other jurisdictions severely restricts ability to grow and thus places further importance on conscientious planning of remaining developable land with a future emphasis on redevelopment efforts. Additionally, increased development pressure on the remaining parcels requires careful consideration towards the preservation of the quality of life within established residential neighborhoods which serve as the lifeblood of the community.
- **Encourage the Business Environment:** Johns Creek's limited land resources and aging commercial inventory presents challenges in creating an optimal environment for the success of the city's businesses. Continued evaluation of the city's policies, especially affecting the business community, along with initial implementation of the ongoing Strategic Economic Development Plan is vital to ensuring the city does not pose impediments towards a vibrant business community. The city provides many advantages for businesses and corporations looking to either expand or relocate. It is critical that the city take action to leverage the potential to attract and retain businesses.

FY 2016 EXPENDITURE HIGHLIGHTS

Transportation and Infrastructure

Improving traffic flow is always a top priority for the community and the FY 2016 Budget is heavily weighted towards projects to achieve this goal. Improvements to all arterials, including Medlock Bridge Road, Kimball Bridge Road, Jones Bridge Road, Abbotts Bridge Road and McGinnis Ferry Road are contained within the proposed expenditures. Over \$1.8 million is dedicated directly towards implementation and studies for traffic relief.

Recognizing that traffic is not an insular issue and the need to coordinate with surrounding jurisdictions to improve access, \$60,000 is designated for the city's portion of the North Fulton County Transportation Plan Update. This vitally important transportation planning tool is a cornerstone towards the realization of comprehensive traffic flow improvement.

Additionally, several key technological infrastructure investments such as expansion of the ITS system that allows better traffic light timing and the continued replacement of signal loops with sensor pucks allow for more efficient and effective use of the roadway system.

Finally, the city will continue its commitment to restore neighborhood and arterial streets to an acceptable PQI (Pavement Quality Indicator) of 65 with \$2 million dedicated to repaving efforts - \$1.5 million dedicated towards neighborhood repaving and \$500,000 to major roads. This is considered an ongoing obligation now designated within the Infrastructure Maintenance Fund that becomes part of the annual budget.

Highlights include:

- Neighborhood Paving Program (\$1,500,000)
- Resurfacing of high traffic roads (\$500,000 – also includes remaining LMIG funding)
- Abbotts Bridge Road turn lanes/medians from Jones Bridge Road to Parsons Road (\$500,000)
- Kimball Bridge Road widening from State Bridge Road to Jones Bridge Road (\$150,000 for right-of-way and \$9,000,000 of federal money for construction)
- Medlock Bridge Road at State Bridge Road ThrU intersection improvement (\$4,838,873 all proposed grant funding)

Recreation & Parks

Recreation and Park services are integral to quality of life in communities and the FY 2016 Budget ensures that Johns Creek will make appropriate investments in this service. Funding is provided for the development of two neighborhood pocket parks (State Bridge Road and Morton Road) as well as important infrastructure repairs and investments at Autrey Mill Park and Ocee Park. Additionally, in partnership with the City of Duluth and Gwinnett County, the budget includes the city's portion of the Rogers Bridge Connection across the Chattahoochee River – linking the Cities of Johns Creek and Duluth with a pedestrian bridge.

Highlights include:

- Completion of State Bridge Road pocket park (\$250,000)
- Development of Morton Road pocket park (\$1,000,000)
- Rogers Bridge connection across Chattahoochee River (\$50,000)
- Ocee Park playground renovation (\$200,000)
- Ocee Park construction of restroom facilities and lower field irrigation (\$175,000)
- Newtown Park sidewalk connections (\$14,000)

Public Safety Departments

The FY 2016 Budget contains several program enhancements to ensure the city's public safety departments remain effective and efficient. The proposed addition of four new police officers as outlined in the Police Department's strategic plan is to maintain the necessary staffing levels in light of the needs of a growing population. Additionally, several police and fire vehicles are scheduled for replacement utilizing accruals designated under the Asset Replacement Fund.

Funding is also provided for four new positions in the Fire Department. Three positions are designated for Fire Station 62, which will allow the station to meet the National Fire Protection Association (NFPA) recommended apparatus staffing levels and also provides further efficiencies in delivery of fire service. The fourth position is designated for the Fire Marshal's office and will provide necessary plan review and inspection services to augment the fire prevention division of the department. Additionally, the city will begin the process of reviewing direct fire service options in areas of the city currently utilizing automatic aid agreements with other jurisdictions.

Highlights include:

- Four new police officers to improve staffing levels and provide better shift coverage (\$356,841)
- Three new fire personnel at Station 62 to meet NFPA apparatus standards (\$229,547)
- One new plan reviewer/inspector (\$85,151)
- Fire Department vehicle replacement (\$192,150)
- Four new police vehicles (\$248,000)
- Police Department vehicle replacement (\$525,600)
- Fire Station 64 feasibility/location study (\$15,000)
- Radio upgrades to comply with required technology – fire (\$95,000)
- Radio upgrades to comply with required technology – police (\$135,000)

Community Development

Fiscal Year 2016 will see the initiation of the major update to the 2030 Comprehensive Plan. The current Comprehensive Plan was adopted shortly after incorporation in 2008. The intense community-wide planning effort will bring diverse stakeholders and interests groups together to view the process with the benefit of eight years of working knowledge. This approach is designed to more keenly define the city's strategic land use planning goals and direction. Viewed as a high priority of the community, this project is being advanced a year ahead of its required schedule to more proactively align land use policies with the community.

Highlights include:

- Major update to Comprehensive Plan (\$300,000)

Additional City Highlights

- Improved budget forecasting software (\$100,000)
- Firewall refresh (\$25,000)
- Backup server replacement (\$35,000)
- Document Management Software enhancements (\$150,000)
- Internal Auditor to more closely examine revenue and licensing collections (\$35,000)

These highlights provide a snapshot of projects planned for FY 2016 and not an exhaustive listing of service enhancements planned for the upcoming year.

ADDITIONAL EFFORTS ON THE HORIZON

The City recognizes that while significant progress has been made in increasing efficiencies in the provision of services, further careful examination of operations is always required. An examination of the compensation policies utilized by the city to determine best practices for personnel is scheduled for review during the upcoming year. This compensation policy examination is part of a larger effort to examine all policies within the city and determine their current viability or the need for further amendment. Additionally, the city will explore enhanced performance metrics and benchmarking practices to further examine its processes and ensure its service delivery is operating as efficiently as possible.

SUMMARY

The City of Johns Creek continues to devote its resources to balancing the most effective and efficient service delivery for its citizens. The inclusion of project-specific scorecards for capital and program enhancement line items, along with a more defined approach to forecasting future expenditures and impacts, lends increased precision to the FY 2016 Budget. Thank you for your consideration and efforts on behalf of the City of Johns Creek.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'M. Bodker', with a stylized flourish at the end.

Michael E. Bodker,
Mayor

A handwritten signature in blue ink, appearing to read 'W.A. Hutmacher', with a stylized flourish at the end.

Warren A. Hutmacher
City Manager